

Black River Local School District

Medina County

Single Audit

July 1, 2008 Through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Education  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have reviewed the *Independent Auditor's Report* of the Black River Local School District, Medina County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Black River Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA  
Chief Deputy Auditor

April 15, 2010

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**Black River Local School District**

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## Independent Auditor's Report

Members of the Board  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District (the School District), Medina County, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

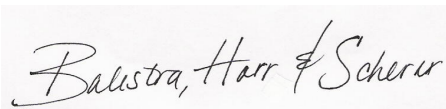
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
January 29, 2010

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Black River Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities decreased \$1,503,562 which represents a 17.92% decrease from 2008.
- General revenues accounted for \$13,159,444 in revenue or 86.41% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$2,070,288 or 13.59% of total revenues of \$ 15,229,732.
- The District had \$16,733,294 in expenses related to governmental activities; only \$2,070,288 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,159,444 were not adequate to provide for these programs.
- The District's major governmental funds are the general, debt service, and replacement funds. The general fund had \$13,361,907 in revenues and other financing sources and \$14,061,031 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance decreased \$699,124 from \$289,434 to a deficit of \$409,690.
- One of the District's other major governmental funds is the bond retirement fund. The bond retirement fund had \$685,116 in revenues and \$808,849 in expenditures. During fiscal year 2009, the bond retirement fund's fund balance decreased \$123,733 from \$1,040,777 to \$917,044.
- One of the District's other major governmental funds is the replacement fund. The replacement fund had \$2,976,935 in expenditures and \$3,175,300 in insurance proceeds and contributions. During fiscal year 2009, the replacement fund's fund balance increased from a deficit of \$487,543 to a deficit of \$289,178.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and the replacement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 12-13 of this report.

**Reporting the District's Most Significant Funds *Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 8. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund, permanent improvement fund and replacement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 14-18 of this report.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 19 and 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-50 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
Current and other assets	\$ 6,376,368	\$ 11,835,869
Capital assets, net	11,030,044	8,273,560
Total assets	17,406,412	20,109,429
 <b><u>Liabilities</u></b>		
Current liabilities	5,793,591	6,347,479
Long-term liabilities	4,728,307	5,373,874
Total liabilities	10,521,898	11,721,353
 <b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	7,051,258	4,791,426
Restricted	622,069	2,585,368
Unrestricted (deficit)	(788,813)	1,011,282
Total net assets	\$ 6,884,514	\$ 8,388,076

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009 the District's assets exceeded liabilities by 6,884,514.

At year-end, capital assets represented 63.37% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$7,051,258. These capital assets are used to provide services to the

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$622,069, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of \$788,811.

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,503,562. Total governmental expenses of \$16,733,294 were offset by program revenues of \$2,070,288 and general revenues of \$13,159,444. Program revenues supported 12.37% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.41% of total governmental revenue. Real estate property is reappraised every six years.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,658,654	\$ 7,442,226	\$ 7,493,960	\$ 7,179,089
Special	2,054,138	1,178,567	1,906,869	788,930
Vocational	174,445	174,445	158,475	140,420
Other	0	0	5,549	3,073
Support services:				
Pupil	776,053	720,186	745,138	584,699
Instructional staff	686,672	597,133	661,370	609,103
Board of education	45,276	45,276	38,929	38,929
Administration	1,283,295	1,257,562	1,107,440	1,094,312
Fiscal	437,168	437,168	458,134	458,134
Business	30,200	29,028	17,528	17,198
Operations and maintenance	837,318	837,318	1,519,938	1,509,766
Pupil transportation	1,220,692	1,202,127	1,153,048	1,086,008
Central	37,895	23,895	53,302	43,636
Operations of non-instructional services	553,875	46,195	554,320	262,404
Extracurricular activities	626,903	361,170	584,556	50,642
Interest and fiscal charges	310,710	310,710	374,910	374,910
<b>Total expenses</b>	<b>\$ 16,733,294</b>	<b>\$ 14,663,006</b>	<b>\$ 16,833,466</b>	<b>\$ 14,241,253</b>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The dependence upon tax and other general revenues for governmental activities is apparent, 88.95% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.71%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for District's students.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 14) reported a combined fund balance of \$139,836, which is lower than last year's balance of \$1,931,801. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance/(deficit) June 30,2009	Fund Balance/(deficit) June 30,2008	Increase/ (Decrease)
General	\$ (409,690)	\$ 289,434	\$ (699,124)
Debt Service	917,044	1,040,777	(123,733)
Replacement	(289,178)	(487,543)	198,365
Other Governmental	(78,342)	1,089,133	(1,167,475)
<b>Total</b>	<b>\$ 139,834</b>	<b>\$ 1,931,801</b>	<b>\$(1,791,967)</b>

*General Fund*

The District's general fund's fund balance decreased by \$699,124.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2008 Amount	Increase/ Decrease	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 3,822,307	\$ 3,135,572	\$ 686,735	21.90 %
Tuition	210,646	150,880	59,766	39.61 %
Earnings on investments	107,166	241,332	(134,166)	(55.59) %
Intergovernmental	8,413,440	8,181,128	232,312	2.84 %
Other revenues	56,254	177,074	(120,820)	(68.23) %
<b>Total</b>	<b>\$ 12,609,813</b>	<b>\$ 11,885,986</b>	<b>\$ 725,827</b>	<b>6.09 %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 8,699,723	\$ 8,605,893	\$ 93,830	1.09%
Support services	5,040,859	4,835,652	205,207	4.24 %
Operation of non-instructional services	251	0	251	100.00 %
Extracurricular activities	175,075	171,972	3,103	1.80 %
Capital outlay	0	63,036	(63,036)	(100.00) %
Facilities acquisition and construction	0	16,300	(16,300)	(100.00) %
Debt service	18,467	15,389	3,078	20.00 %
<b>Total</b>	<b>\$ 13,934,375</b>	<b>\$ 13,708,242</b>	<b>\$ 226,133</b>	<b>1.65 %</b>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Revenues of the general fund increased \$723,827 or 6.09%. The most significant increase was in the area of tax revenue. Tax revenues increased \$686,735 or 21.90%. This increase can primarily be attributed to an increase in tax collections due to the district reaching the 20 mill floor. At June 30, 2009 and June 30, 2008 the amount of taxes available for advance were \$630,477 and \$460,984, respectively. Intergovernmental revenues increased \$232,312 or 2.84% due to an increase in the State Foundation.

Expenditures of the general fund increased \$226,133 or 1.65%. The most significant increases were in the areas of instruction and support services. Instruction and support services increased \$93,830 and \$205,207, respectively. These increases can be attributed to scheduled contract wage increases for certified and non-certified employees.

***Debt Service Fund***

The debt service fund had \$685,116 in revenues and \$808,849 in expenditures. During fiscal year 2009 the debt service fund's fund balance decreased \$123,733 from \$1,040,777 to \$917,044.

***Replacement Fund***

The replacement fund had \$2,976,935 in expenditures and \$3,175,300 in insurance proceeds and donations. During fiscal year 2009 the replacement fund's fund balance increased from a deficit of \$487,543 to a deficit of \$289,178.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2009 the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$13,617,824, which was higher than the original budgeted revenues estimate of \$13,359,271. Actual revenues and other financing sources for fiscal year 2009 were \$13,571,424.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$13,386,923 were increased to \$14,538,091 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$14,538,091, which was equal to the final budget appropriations.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal year 2009 the District had \$11,030,044 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The following table shows fiscal year 2009 balances compared to 2008.

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
Governmental Activities		
	2009	2008
Land	\$ 363,000	\$ 363,000
Construction in progress	0	735,141
Land improvements	441,296	485,871
Building and improvements	9,524,246	5,879,259
Furniture and equipment	387,555	412,730
Vehicles	313,947	397,559
<b>Total</b>	<b>\$ 11,030,044</b>	<b>\$ 8,273,560</b>

The overall increase in capital assets of \$2,756,484 is due to capital outlays of \$4,051,947, depreciation expense of \$548,868 and disposals of \$746,595 (net of accumulated depreciation).

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2009 the District had \$3,978,786 in general obligation bonds and capital lease obligations outstanding. Of this total, \$812,659 is due within one year and \$3,166,127 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

	<b>Outstanding Debt at Year End</b>	
	Governmental Activities	Governmental Activities
	2009	2008
General obligation bonds and capital appreciation bonds		
1994 improvement bonds	\$ 342,961	\$ 653,663
2001 refunding bonds	3,599,201	3,766,237
Capital lease obligation	36,624	51,508
<b>Total</b>	<b>\$ 3,978,786</b>	<b>\$ 4,471,408</b>

The improvement bonds were received in 1994. These bonds consist of capital appreciation bonds and are scheduled to mature in fiscal year 2009, bearing interest rates ranging from 4.40% to 10.96%. Payment of principal and interest on the 1994 improvement bonds are being made from the debt service fund.

The refunding bonds were received in 2001. These bonds are scheduled to mature in fiscal year 2020 and bear interest rates ranging from 4.67% to 25.815%. Payment of principal and interest on the 2001 refunding bonds are being made from the debt service fund.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

**Funding**

Black River Local School District is a rural school district that encompasses 125 square miles in southwestern Medina, southern Lorain and northern Ashland counties. The State Foundation Formula is the primary funding source of education to the District and represents approximately 62% of revenue. This funding calculation is affected by local property valuation changes and as valuations increase, the state funding is decreased. Since 1997, local property valuations have increased 99% or \$95 million, from \$96 million to \$191 million in 2008. Another significant factor in this calculation is student enrollment, which has increased 69% or 716 students, from 1,033 students in fiscal year 1998 to 1749 students in fiscal year 2009. The cumulative increase in basic aid for the District from fiscal year 1998 to fiscal year 2009 is 61.5% or \$2.4 million. Tax collections have increased 33% or approximately \$1 million from \$3.0 million to \$4.0 million. Voters last approved a new operating levy in 1997.

Approximately 80% of the general fund budget is expended for employee wages and fringe benefits. These costs, including health benefits, have been increasing at a rate almost double to that of recent revenue growth. In the past three years, major renovations made to the high school heating system and the addition of an eight classroom modular complex were paid for from the general fund. Going forward, additional work to the high school heating system, the heating and cooling system in the Black River Education Center, as well as other permanent improvements will be paid for from monies that have been transferred out of the general fund into a permanent improvement fund. As expenditures continue to increase at rates exceeding revenue growth, the District is challenged to monitor its budget so as to continue to strive for academic excellence while remaining financially sound. The State has cut funding to schools as legislators continue to struggle to balance that budget. At the same time, The Governor's Blue Ribbon Task Force on Financing Student Success has yet to provide any solutions. Forecasting beyond one year is uncertain at best.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Connie I. Hange, Treasurer, Black River Local School District, 257-A County Road 40, Sullivan, Ohio 44880.

# Black River Local School District

## Statement of Net Assets

June 30, 2009

	<u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,360,725
Inventory Held for Resale	4,491
Materials and Supplies Inventory	8,158
Accrued Interest Receivable	5,324
Intergovernmental Receivable	112,490
Prepaid Items	31,880
Taxes Receivable	4,815,075
<i>Restricted Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	38,225
Non-Depreciable Capital Assets	1,914,739
Depreciable Capital Assets, net	9,115,305
<b>Total Assets</b>	<u>17,406,412</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	77,122
Accrued Wages and Benefits	1,512,395
Intergovernmental Payable	506,069
Deferred Revenue	3,698,005
<i>Long-Term Liabilities:</i>	
Due Within One Year	812,659
Due in More Than One Year	3,915,648
<b>Total Liabilities</b>	<u>10,521,898</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,051,258
Restricted for Debt Service	968,559
Restricted for Capital Outlay	50,873
Restricted for Other Purposes	(397,363)
Unrestricted	(788,813)
<b>Total Net Assets</b>	<u>\$ 6,884,514</u>

See Accompanying Notes to the Basic Financial Statements



**Black River Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	<u>Program Revenues</u>				<i>Net (Expenses) Revenue and Changes in Net Assets</i>
	<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 7,658,654	\$ -	\$ 75,087	\$ 141,341	\$ (7,442,226)
Special	2,054,138	210,646	633,588	31,337	(1,178,567)
Vocational	174,445	-	-	-	(174,445)
Support Services:					
Pupils	776,053	-	55,867	-	(720,186)
Instructional Staff	686,672	-	40,867	48,672	(597,133)
Board of Education	45,276	-	-	-	(45,276)
Administration	1,283,295	-	25,733	-	(1,257,562)
Fiscal	437,168	-	-	-	(437,168)
Business	30,200	-	1,172	-	(29,028)
Operation and Maintenance of Plant	837,318	-	-	-	(837,318)
Pupil Transportation	1,220,692	13,307	5,258	-	(1,202,127)
Central	37,895	-	14,000	-	(23,895)
Operation of Non-Instructional Services	553,875	504,820	2,860	-	(46,195)
Extracurricular Activities	626,903	265,614	119	-	(361,170)
Interest and Fiscal Charges	310,710	-	-	-	(310,710)
<b>Totals</b>	<b>\$ 16,733,294</b>	<b>\$ 994,387</b>	<b>\$ 854,551</b>	<b>\$ 221,350</b>	<b>(14,663,006)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	3,849,220
Debt Service Fund	609,196
Grants and Entitlements not Restricted to Specific Programs	8,382,935
Investment Earnings	89,148
Insurance Recoveries	200,300
Miscellaneous	28,645
<b>Total General Revenues</b>	<b>13,159,444</b>
<b>Change in Net Assets</b>	<b>(1,503,562)</b>
<b>Net Assets Beginning of Year</b>	<b>8,388,076</b>
<b>Net Assets End of Year</b>	<b>\$ 6,884,514</b>

See Accompanying Notes to the Basic Financial Statements

**Black River Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2009*

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Replacement Fund</u>	<u>Other Governmenta Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 87,486	\$ 810,351	\$ -	\$ 462,884	\$ 1,360,721
Inventory Held for Resale	-	-	-	4,491	4,491
Materials and Supplies Inventory	-	-	-	8,158	8,158
Accrued Interest Receivable	5,324	-	-	-	5,324
Interfund Receivable	631,870	-	-	-	631,870
Intergovernmental Receivable	-	-	-	112,490	112,490
Prepaid Items	31,880	-	-	-	31,880
Taxes Receivable	4,204,047	611,028	-	-	4,815,075
Restricted Assets:					
Restricted Cash and Cash Equivalents	38,225	-	-	-	38,225
<b>Total Assets</b>	<b>4,998,832</b>	<b>1,421,379</b>	<b>-</b>	<b>588,023</b>	<b>7,008,234</b>
<b>Liabilities</b>					
Accounts Payable	12,178	-	-	64,944	77,122
Accrued Wages and Benefits	1,371,400	-	-	140,995	1,512,395
Intergovernmental Payable	447,190	-	-	58,879	506,069
Interfund Payable	-	-	289,178	342,688	631,866
Matured Compensated Absences Payable	-	-	-	-	-
Deferred Revenue	3,577,754	504,335	-	58,859	4,140,948
<b>Total Liabilities</b>	<b>5,408,522</b>	<b>504,335</b>	<b>289,178</b>	<b>666,365</b>	<b>6,868,400</b>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	104,984	-	-	33,550	138,534
Reserved for Property Taxes	630,477	106,694	-	-	737,171
Reserved for Capital Improvements	145,345	-	-	-	145,345
Reserved for Budget Stabilization	38,225	-	-	-	38,225
Unreserved, Undesignated, Reported in:					
General Fund	(1,328,721)	-	-	-	(1,328,721)
Special Revenue Funds	-	-	-	(416,056)	(416,056)
Debt Service Fund	-	810,350	-	-	810,350
Capital Projects Funds	-	-	(289,178)	304,164	14,986
<b>Total Fund Balances</b>	<b>(409,690)</b>	<b>917,044</b>	<b>(289,178)</b>	<b>(78,342)</b>	<b>139,834</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,998,832</b>	<b>\$ 1,421,379</b>	<b>\$ -</b>	<b>\$ 588,023</b>	<b>\$ 7,008,234</b>

See Accompanying Notes to the Basic Financial Statements

**Black River Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2009*

<b>Total Governmental Fund Balances</b>		\$ 139,834
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,030,044
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Grants	65,726	
Property Taxes	377,217	
Total	442,943	442,943
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Capital Leases Payable	(36,624)	
Capital Appreciation Bonds	(3,942,162)	
Compensated Absences	(749,521)	
Total	(4,728,307)	(4,728,307)
<b>Net Assets of Governmental Activities</b>		<b>\$ 6,884,514</b>

See Accompanying Notes to the Basic Financial Statements

**Black River Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	<i>General Fund</i>	<i>Bond Retirement Fund</i>	<i>Replacement Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Property Taxes	\$ 3,822,307	\$ 600,180	\$ -	\$ -	\$ 4,422,487
Intergovernmental	8,413,440	84,936	-	1,241,020	9,739,396
Interest	107,166	-	-	-	107,166
Tuition and Fees	210,646	-	-	-	210,646
Rent	8,816	-	-	-	8,816
Extracurricular Activities	-	-	-	271,199	271,199
Gifts and Donations	3,200	-	-	5,078	8,278
Customer Sales and Services	2,000	-	-	226,338	228,338
Miscellaneous	42,238	-	-	28,525	70,763
<b>Total Revenues</b>	<b>12,609,813</b>	<b>685,116</b>	<b>-</b>	<b>1,772,160</b>	<b>15,067,089</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,312,583	-	-	256,391	7,568,974
Special	1,224,563	-	-	758,291	1,982,854
Vocational	162,577	-	-	-	162,577
Support Services:					
Pupils	698,610	-	-	55,551	754,161
Instructional Staff	543,291	-	3,105	107,180	653,576
Board of Education	42,338	-	-	2,938	45,276
Administration	1,182,550	-	-	25,281	1,207,831
Fiscal	430,880	12,309	2,602	-	445,791
Business	29,244	-	-	956	30,200
Operation and Maintenance of Plant	1,029,114	-	25,419	139,995	1,194,528
Pupil Transportation	1,066,765	-	4,248	33,732	1,104,745
Central	18,067	-	-	19,828	37,895
Operation of Non-Instructional Services:					
Extracurricular Activities	175,075	-	606	386,637	562,318
Capital Outlay	-	-	2,940,955	-	2,940,955
Debt Service:					
Principal	14,884	650,000	-	-	664,884
Interest and Fiscal Charges	3,583	146,540	-	-	150,123
<b>Total Expenditures</b>	<b>13,934,375</b>	<b>808,849</b>	<b>2,976,935</b>	<b>2,316,292</b>	<b>20,036,451</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(1,324,562)</b>	<b>(123,733)</b>	<b>(2,976,935)</b>	<b>(544,132)</b>	<b>(4,969,362)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	750,000	-	-	126,657	876,657
Proceeds from the Sale of Capital Assets	2,094	-	-	-	2,094
Insurance Recoveries	-	-	3,175,300	-	3,175,300
Transfers Out	(126,656)	-	-	(750,000)	(876,656)
<b>Total Other Financing Sources (Uses)</b>	<b>625,438</b>	<b>-</b>	<b>3,175,300</b>	<b>(623,343)</b>	<b>3,177,395</b>
<b>Net Change in Fund Balances</b>	<b>(699,124)</b>	<b>(123,733)</b>	<b>198,365</b>	<b>(1,167,475)</b>	<b>(1,791,967)</b>
<b>Fund Balances Beginning of Year</b>	<b>289,434</b>	<b>1,040,777</b>	<b>(487,543)</b>	<b>1,089,133</b>	<b>1,931,801</b>
<b>Fund Balances End of Year</b>	<b>\$ (409,690)</b>	<b>\$ 917,044</b>	<b>\$ (289,178)</b>	<b>\$ (78,342)</b>	<b>\$ 139,834</b>

See Accompanying Notes to the Basic Financial Statements

**Black River Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,791,967)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlay as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	4,051,947	
Depreciation	(548,868)	
Total		3,503,079

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, donations and impairments) is to decrease net assets (746,595)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	65,726	
Property Taxes	35,929	
Earnings on Investments	(18,018)	
Insurance Proceeds	(2,975,000)	
Sales Tax	(121,296)	
Total		(3,012,659)

Accretion of capital appreciation bonds do not provide current financial resources but are an increase in long-term liabilities in the statement of net assets. (172,262)

Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current period, these amounts are:

Capital Lease	14,884	
Refunded Bonds Payments	650,000	
Total		664,884

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 11,674

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 40,284

*Changes in Net Assets of Governmental Activities* (\$1,503,562)

See Accompanying Notes to the Basic Financial Statements

**Black River Local School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
**GENERAL FUND**  
*For the Fiscal Year Ended June 30, 2009*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 3,885,063	\$ 3,699,214	\$ 3,652,814	\$ 46,400
Intergovernmental	8,178,120	8,416,448	8,416,448	-
Interest	211,000	102,277	102,277	-
Tuition and Fees	266,785	211,209	211,209	-
Rent	9,495	8,816	8,816	-
Gifts and Donations	4,147	3,200	3,200	-
Customer Sales and Services	53	2,000	2,000	-
Miscellaneous	53,947	42,643	42,643	-
<b>Total Revenues</b>	<b>12,608,610</b>	<b>12,485,807</b>	<b>12,439,407</b>	<b>46,400</b>
<b>EXPENDITURES:</b>				
Instruction:				
Regular	7,106,759	7,483,638	7,483,638	-
Special	1,069,911	1,245,098	1,245,098	-
Vocational	138,306	159,293	159,293	-
Student Intervention Services	838	-	-	-
Support Services:				
Pupils	553,245	664,544	664,544	-
Instructional Staff	582,903	537,864	537,864	-
Board of Education	31,292	42,630	42,630	-
Administration	1,039,230	1,173,801	1,173,801	-
Fiscal	388,377	394,532	394,532	-
Business	17,119	29,244	29,244	-
Operation and Maintenance of Plant	1,063,094	1,092,272	1,092,272	-
Pupil Transportation	1,078,983	1,069,581	1,069,581	-
Central	45,255	36,698	36,698	-
Operation of Non-Instructional Services	(1,537)	251	251	-
Extracurricular Activities:				
Academic Oriented Activities	22,827	18,754	18,754	-
Sport Oriented Activities	136,913	144,194	144,194	-
School and Public Service Co-Curricular Activities	10,183	10,832	10,832	-
Capital Outlay:				
Other Facilities Acquisition and Construction	16,300	-	-	-
<b>Total Expenditures</b>	<b>13,299,998</b>	<b>14,103,226</b>	<b>14,103,226</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	(691,388)	(1,617,419)	(1,663,819)	46,400
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	750,000	750,000	750,000	-
Advances In		379,923	379,923	-
Proceeds from Sale of Capital Assets	661	2,094	2,094	-
Transfers Out	(86,925)	(126,656)	(126,656)	-
Advances Out		(308,209)	(308,209)	-
<b>Total Other Financing Sources and Uses</b>	<b>663,736</b>	<b>697,152</b>	<b>697,152</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(27,652)</b>	<b>(920,267)</b>	<b>(966,667)</b>	<b>46,400</b>
Fund Balance (Deficit) at Beginning of Year	577,036	577,036	577,036	-
Prior Year Encumbrances Appropriated	372,502	372,502	372,502	-
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 921,882</b>	<b>\$ 29,267</b>	<b>\$ (17,133)</b>	<b>\$ 46,400</b>

See Accompanying Notes to the Basic Financial Statements

**Black River Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2009*

	<u>Private Purpose</u> <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 33,970	\$ 30,553
Accrued Interest Receivable	82	
<i>Total Current Assets</i>	<u>34,052</u>	<u>30,553</u>
<i>Total Assets</i>	<u>34,052</u>	<u>30,553</u>
LIABILITIES:		
Current Liabilities:		
Undistributed Monies	-	(1,996)
<i>Total Current Liabilities</i>	<u>-</u>	<u>(1,996)</u>
<i>Total Liabilities</i>	<u>-</u>	<u>(1,996)</u>
NET ASSETS:		
Unrestricted	35,129	32,549
Held in Trust for Scholarships	(1,077)	-
<i>Total Net Assets</i>	<u>\$ 34,052</u>	<u>\$ 30,553</u>

**Black River Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2009*

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	<u>Private Purpose</u> <u>Trust Funds</u>
ADDITIONS:	
Gifts and Contributions	\$ 700
Interest	565
Miscellaneous	<u>25</u>
<i>Total Additions</i>	<u>1,290</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>2,367</u>
<i>Total Deductions</i>	<u>2,367</u>
<i>Change in Net Assets</i>	(1,077)
<i>Net Assets Beginning of Year</i>	<u>35,129</u>
<i>Net Assets End of Year</i>	<u>\$ 34,052</u>



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Black River Local School District (the "District") is located in portions of Medina County, Ashland County and Lorain County in Northeast Ohio. The District includes all of the villages of Sullivan, Spencer, Homerville and portions of surrounding townships, covering approximately 125 square miles.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 comprehensive school, serving grades K through 8, and 1 high school. The District employs 64 non-certified and 127 certified (including administrative) full-time and part-time employees to provide services to approximately 1749 students in grades K through 12 and various community groups, which ranks it 330<sup>th</sup> out of approximately 896 public and community school districts in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Medina County Career Center

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

The Tri-County Computer Service Association (TCCSA) - TCCSA is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Midland Council of Governments, 2125B Eagle Pass, Wooster, Ohio 44691.

*PUBLIC ENTITY RISK POOL*

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service* - A fund provided for the retirement of bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans shall be paid into this fund.

*Replacement* - A fund provided to account monies used in the rebuilding, restoration or improvement of property which has been totally or partially destroyed due to any cause.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities, (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for food service operations.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Medina County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Certificate of Estimated Resources issued for fiscal year 2009.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2009. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2009 investments were limited to federal agency securities, negotiable certificates of deposits and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$107,166, which includes \$55,726 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture, fixtures and equipment	5-20 years
Vehicles	6-10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from long-term interfund loans are classified as "advances to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, age fifty seven or greater with two years of service, age fifty two or greater with seven years of service or any age with twenty seven years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.



**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies, prepayments, property taxes unavailable for appropriation, debt service, advances and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of monies restricted by State statute for BWC refunds and capital acquisition.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Restricted Assets**

Restricted assets in general fund represent cash and cash equivalents that are restricted in use by State statute. See Note 18 for details.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 409,690
Replacement	289,178
 <u>Nonmajor Funds</u>	
Food Service	75,921
Other Grants	10,442
District Managed Student Activity	79,897
Ohio Reads	3,179
Title VI-B	185,522
Title I, Disadvantaged Children/Targeted Assistance	135,412
Title II-A, Improving Teacher Quality	29,866

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At year-end, the District had \$125 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

**B. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$953,815. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$860,379 of the District's bank balance of \$987,512 was exposed to custodial risk as discussed below, while \$127,133 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2009, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
FFCB	\$229,430	\$0	\$0	\$0	\$0	\$229,430
FNMA	76,313	0	0	0	0	76,313
Negotiable CD's	203,790	0	0	0	0	203,790
<b>Total</b>	<b>\$509,533</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$509,533</b>

The weighted average maturity of investments is 3.49 years.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)**

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB		
FNMA		
Negotiable CD's	\$ 229,430	45.02
Total	76,313	14.98
	203,790	40.00
	<u>\$ 509,533</u>	<u>100.00</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of cash and investments to the statement of net assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	953,815
Investments		509,533
Cash on hand		<u>125</u>
Total	\$	<u>1,463,473</u>
<u>Cash and investments per statement of net assets</u>		
Governmental activities	\$	1,398,950
Private-purpose trust fund		33,970
Agency fund		<u>30,553</u>
Total	\$	<u>1,463,473</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 631,870

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following, as reported on the fund statements:

Transfers from General fund to:	<u>Amount</u>
Nonmajor governmental funds	\$ 126,656

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds will be eliminated on the government-wide financials.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008 on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2008, tangible personal property is assessed at 6.25% for property including inventory. This percentage will be reduced to 0% for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Medina, Ashland, and Lorain Counties. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The amount available as an advance at June 30, 2009 was \$630,477 in the general fund and \$106,693 in the bond retirement fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2008 was \$460,984 in the general fund, and \$71,626 in the bond retirement fund.



**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and public utility/minerals real estate	\$ 165,379,620	88.62	\$ 172,528,040	89.70
Commercial/industrial real estate	6,433,140	3.45	6,585,980	3.40
Public utility personal	11,387,280	6.10	11,421,920	5.90
Tangible personal property	3,425,800	1.83	1,789,088	1.00
Total assessed valuation	<u>\$ 186,625,840</u>	<u>100.00</u>	<u>\$ 192,325,028</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$55.83		\$52.43

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 7 - SHARED SALES TAX REVENUE**

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The County then allocates this tax to the School Districts within the County based on the number of student enrollment.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, insurance proceeds and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Intergovernmental receivables in the amount of \$112,490 were reported on the statement of net assets. Of this amount, \$46,764 consisted of shared sales tax revenue. A summary of the items of receivables reported on the statement of net assets follows:

<b>Governmental Activities:</b>	
Property taxes	\$ 4,815,075
Intergovernmental	112,490
Accrued interest	<u>5,324</u>
Total	<u>\$ 4,932,889</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<i>Balance</i> <i>June 30, 2008</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2009</i>
<b>General Fixed Asset Account Group</b>				
<b>Non Depreciable Fixed Assets:</b>				
Land	\$363,000	\$0	\$0	\$363,000
Construction In Progress	735,141	0	(735,141)	0
<b>Total Non Depreciable Fixed Assets</b>	<b>1,098,141</b>	<b>0</b>	<b>(735,141)</b>	<b>363,000</b>
<b>Depreciable Fixed Assets:</b>				
Buildings and Improvements	9,430,180	4,005,662	0	13,435,842
Furniture, Fixtures and Equipment	1,195,317	46,285	0	1,241,602
Land Improvements	816,598	0	0	816,598
Vehicles	1,272,029	0	(114,532)	1,157,497
<b>Total Depreciable Fixed Assets</b>	<b>12,714,124</b>	<b>4,051,947</b>	<b>(114,532)</b>	<b>16,651,539</b>
<b>Total Fixed Assets</b>	<b>13,812,265</b>	<b>4,051,947</b>	<b>(849,673)</b>	<b>17,014,539</b>
<b>Depreciation</b>				
Buildings and Improvements	(3,881,648)	(405,250)		(4,286,898)
Furniture, Fixtures and Equipment	(782,587)	(71,460)	0	(854,047)
Vehicles	(874,470)	(72,158)	103,078	(843,550)
<b>Total Depreciable Fixed Assets</b>	<b>(5,538,705)</b>	<b>(548,868)</b>	<b>103,078</b>	<b>(5,984,495)</b>
<b>Net - Depreciable Fixed Assets</b>	<b>7,175,419</b>	<b>3,503,079</b>	<b>(11,454)</b>	<b>9,850,446</b>
<b>Total Fixed Assets - Net</b>	<b>\$8,273,560</b>	<b>\$3,503,079</b>	<b>\$(746,595)</b>	<b>\$11,030,044</b>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$82,107
Special Instruction	92,446
Vocational Instruction	13,090
SS - Students	19,690
SS - Staff	33,132
Administration	72,615
Maintenance	38,337
Transportation	108,426
Community Service	717
Extracurricular	64,585
Food Services	23,723
<b>Total Depreciation Expense</b>	<b>\$548,868</b>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2008, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as general fund expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$63,036. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$14,883 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$18,467
2011	18,466
2012	<u>3,077</u>
Total minimum lease payments	40,010
Less: amount representing interest	<u>(3,387)</u>
Total	<u><u>\$36,623</u></u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	<i>Balance</i>				<i>Balance</i>		Amounts Due in One Year
	<i>6/30/2008</i>	<i>Additions</i>	<i>Deletions</i>	<i>Accretion</i>	<i>6/30/2009</i>		
Series 1994 Capital Bonds	\$170,626	\$0	\$88,463	\$0	\$82,163	\$82,163	
Series 1994 accreted interest	483,037	0	271,537	49,298	260,798	277,837	
Series 2001 refunding bonds	3,130,000	0	0	0	3,130,000	146,540	
Series 2001 capital appreciation bonds	130,000	0	50,000	0	80,000	45,000	
Series 2001 accreted interest	506,237	0	240,000	122,964	389,201	245,000	
Capital lease obligations	51,508	0	14,883	0	36,624	16,119	
Compensated absences	902,466	20,490	173,435	0	749,521	0	
<b>Total All Long Term Debt</b>	<b>\$5,373,874</b>	<b>\$20,490</b>	<b>\$838,318</b>	<b>\$172,262</b>	<b>\$4,728,307</b>	<b>\$812,659</b>	

Capital lease obligations - Capital lease obligations are paid from the general fund. See Note 9 for details.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund, the food service fund (a nonmajor governmental fund) and the title I fund (a nonmajor governmental fund).

- B. On April 1, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal \$4,780,000; interest rate 4.40%; stated maturity December 1, 2019). \$5,225,581 of the issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt, which was called for redemption on December 1, 2004, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance).

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The refunding issue is comprised of both current interest bonds, par value \$4,585,000, and capital appreciation bonds, par value \$195,000. The average interest rate on the current interest bonds is 4.67%. During fiscal year 2008, one capital appreciation bond matured at an accreted value of \$290,000. The remaining capital appreciation bonds mature each December 2008 through 2010 (effective interest ranging from 24.022% to 25.815%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds is \$1,160,000. Total accreted interest of \$506,237 has been included on the statement of net assets at June 30, 2009.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

- C. Excluding amounts defeased during 2003, \$2,780,000 remained an obligation of the District. This amount is comprised of both current interest bonds, par value \$980,000, and remaining capital appreciation bonds, par value \$474,995. Interest accrues at rates ranging from 3.9% to 6.1%. During fiscal year 2008, one capital appreciation bond matured at an accreted value of \$360,000. The remaining capital appreciation bonds have annual mandatory sinking fund redemption requirements and mature annually beginning December 1, 2005 through December 1, 2009 at a redemption price equal to 100% of the principal, plus accrued interest to date. The accreted value at maturity for the capital appreciation bonds is \$1,800,000. Total accreted interest of \$483,037 has been included on the statement of net assets at June 30, 2009.
- D. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Current		Bonds	Capital	Appreciation	Bonds
	Principal	Interest	Total	Principal	Interest	Total
2010	\$0	\$146,540	\$146,540	\$127,163	\$522,837	\$650,000
2011	0	146,540	146,540	35,000	304,062	339,062
2012	290,000	430,232	430,232	0	0	0
2013	300,000	427,325	427,325	0	0	0
2014-2018	1,730,000	40,113	2,140,113	0	0	0
2019-2020	810,000	850,082	850,082	0	0	0
<b>Total</b>	<b>\$3,130,000</b>	<b>\$1,010,832</b>	<b>\$4,140,832</b>	<b>\$162,163</b>	<b>\$826,899</b>	<b>\$989,062</b>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$12,457,744 and an unvoted debt margin of \$187,512.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Vacation credit is earned one year and taken in the next. An employee may elect to carry over credit from one year to the next but may not schedule or accumulate more than five (5) weeks in any one (1) calendar year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of seventy-two days for both certificated and classified employees with ten (10) or more years of service with the District. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

**B. Health Insurance**

The District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the "Council"); a public entity risk pool that currently operates as a common risk management and health insurance program for member school districts. The District pays a monthly premium to the pool for health, prescription drug and dental coverage. The pool agreement provides that the Council will be self-sustaining through member premiums, and the pool has purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - RISK MANAGEMENT**

**A. Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2009, the District purchased from various insurance carriers general liability insurance, which carried a \$2 million per occurrence/\$4 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and are traditionally funded.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2008.

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$144,431, \$154,381 and \$165,017, respectively; 49.24 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$891,636, \$868,367, and \$845,705, respectively; 84.23 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2008 were \$5,668 made by the District and \$18,051 made by the plan members.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS of Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$26,889.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$87,257, \$95,927, and \$90,350, respectively; 25.36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$11,899, \$11,124, and \$11,221, respectively; 25.36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$72,082, \$66,797, and \$65,054, respectively; 77.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

The statement of revenue, expenditures, and changes in fund balance - budget and actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and
- (e) Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (966,667)
Net adjustment for revenue accruals	170,406
Net adjustment for expenditure accruals	168,851
Net adjustment for other sources/uses	<u>(71,714)</u>
GAAP basis	<u>\$ (699,124)</u>

**NOTE 17 – CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 18 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for BWC refunds. At June 30, 2009, the unspent portions of Bureau of Workers' Compensation refunds continue to be a set-aside for budget stabilization.

**BLACK RIVER LOCAL SCHOOL  
DISTRICT MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 18 - STATUTORY RESERVES - (Continued)**

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and BWC refunds. Disclosure of this information is required by State statute.

	Instructional Materials Reserve	Capital Maintenance Reserve	BWC Refunds	Total
Set-Aside Balance at June 30, 2008	\$(522,547)	\$(8,009)	\$38,225	\$(492,331)
Required Set-Aside for FY2009	258,567	258,567	0	517,134
FY2009 Qualifying Disbursements	(233,365)	(105,213)	0	(338,578)
Set-Aside Balance at June 30, 2009	<u>(497,345)</u>	<u>145,345</u>	<u>38,225</u>	<u>(313,775)</u>
Balance Carried Forward to FY2010	<u>\$(497,345)</u>	<u>\$145,345</u>	<u>\$38,225</u>	<u>\$(313,775)</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

The District had qualifying disbursements during the year that reduced the set-aside amount below zero in the textbooks/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement of future years; however, the negative amount may not be carried forward for the capital acquisition set-aside.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for BWC refunds	<u>\$ 38,225</u>
Total restricted assets	<u>\$ 38,225</u>

Black River Local School District  
Medina County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 50,671	\$ -	\$ 50,671	\$ -
National School Lunch Program	LLP4	10.555	173,058	23,156	173,058	23,156
Total Nutrition Cluster			223,729	-	223,729	-
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			223,729	-	223,729	-
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Special Education Grants to States	6BSF	84.027	274,010	-	287,371	-
Special Education Preschool Grants	PGS1	84.173	9,841	-	9,296	-
Total Special Education Cluster			283,851	-	296,667	-
Title I Grants to Local Educational Agencies	C1S1	84.010	494,271	-	444,595	-
Safe and Drug-Free Schools and Communities State Grants	DRS1	84.186	13,759	-	5,675	-
State Grants for Innovative Programs	C2S1	84.298	2,605	-	6,014	-
Education Technology State Grants	TJS1	84.318	1,785	-	153	-
Improving Teacher Quality State Grants	TRS1	84.367	82,426	-	107,677	-
<b>Total United States Department of Education</b>			878,697	-	860,781	-
<b>Total Federal Financial Assistance</b>			\$ 1,102,426	\$ 23,156	\$ 1,084,510	\$ 23,156

See Notes to the Schedule of Federal Awards Expenditures.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DONATION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

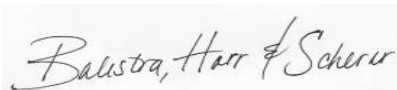
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.



### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
January 29, 2010



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

**Compliance**

We have audited the compliance of Black River Local School District, Medina County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Board of Education

Black River Local School District

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

**Internal Control Over Compliance  
(Continued)**

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

January 29, 2010

**BLCACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

**1. SUMMARY OF AUDITOR' S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any significant internal control deficiencies reported for major federal programs?	No
(d)(1)(iv)	Were there any material weakness reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I: CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	Material Citation – 5709.36	Yes	



### **Independent Auditor’s Report on Applying Agreed-Upon Procedures**

Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Black River Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on November 15, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

January 29, 2010





**Mary Taylor, CPA**  
Auditor of State

**BLACK RIVER LOCAL SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 6, 2010**